



## **Comments of the Association of Members of the Athens Stock Exchange on the call for contributions for interested parties on the field of Clearing and Settlement.**

### **Nature of the recommendations**

We consider that the legal nature of the recommendations and/or standards should be at a pan-European level under a single legal framework and common practices. Subsequently, it should also be adopted by national law.

### **Addressee**

We believe that the standards or recommendations should be addressed to the regulators, the systems, the operators and the users.

### **Scope**

We agree with the Group's view that the new rules should concern any entity providing clearing and settlement services. In addition, we believe that the procedures should apply on a differentiated basis according to the systemic risks of the services provided by every institution. We do not consider the distinction between custody services and clearing and settlement as necessary, it depends, however, on how every institution is organised.

Some standards should be specifically addressed to cross-border transactions between countries belonging to EMU and not.

### **Objectives**

We agree with the objectives of central banks and securities regulators.

### **Risks and weaknesses**

The most relevant factors to risks and weaknesses of cross-border transactions are the delay of the reception of clearing orders due to the time difference and the different official holidays between countries. On the other hand, the non-existence of a single legal framework does not facilitate the operation of cross-border transactions since the latter requires knowledge of the specific characteristics of each domestic market.

As far as custody activities are concerned we believe that there should be a clear distinction between the custodian's position and its customers' position. Finally, we consider that the settlement risk and the operational risks can be effectively confronted with the establishment of the Central Counterparty.



## **Settlement cycles**

We support the application of shorter settlement cycles since they reduce the risk and the consequences of incomplete transactions and ensure lower financing cost. Longer settlement cycles mean longer time periods for the completion of the clearing of the cross-border transactions, but they increase uncertainty and settlement risk. Finally, we do not think there is a need to adopt different settlement cycles for different securities.

## **Structural issues**

We believe that there should be a public policy intervention in order to achieve an integrated structure for clearing and settlement in Europe.

The clearing and settlement systems represent on the one hand a critical component in the orderly functioning of the financial system while on the other hand, they could represent a potential source of systemic risk for capital markets and a possible cause of liquidity pressures. Therefore, we strongly believe that the right to designate the CCP or the settlement system should remain with the regulated market, which will provide for its participants.

We also note that the creation of a centralised clearing system based on US standards, is not the only solution to significantly reduce costs according to the findings of CEPS's research report "The Securities Settlement Industry In the EU – Structure, Costs, and the Way Forward". In particular, CEPS (Center for European Policy Studies) 's study found that the operating income per transaction after netting is just 1.86 times higher in the EU than in the US, while the figures change further if one excludes International Central Securities Depositories (ICSDs). On a post-netted basis, the different domestic settlement organizations in Europe are as cost – efficient as the US DTCC.